

From: Knight, Colin
Sent: Wednesday, June 17, 2026 1:14 PM
To: Direct to Mayor and Council - DL
Cc: City Manager's Correspondence Group - DL; Grewal, Pragya
Subject: FSC Memo to Mayor & Council: 2027-2030 Capital Plan Update - Preliminary Funding Capacity
Attachments: Memo to Mayor & Council -2027-2030 Capital Plan Update - Preliminary Funding Capacity 2026-06-17.pdf

Dear Mayor and Council,

The attached memo is provided for information, and summarizes the City's funding outlook and capacity for the 2027-2030 Capital Plan period, along with key financial considerations and highlights from the 2026 Financing Growth update to support draft Capital Plan development. The draft Capital Plan will be presented to Council for decision on July 28th.

Should you have any questions please contact Colin Knight at 604.873.7610 or Colin.Knight@vancouver.ca.

Thank you,

Colin Knight
(He/Him/His)
General Manager, Finance and Supply Chain
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604-873-7610

MEMORANDUM

June 17, 2026

TO: Mayor and Council

CC: City Leadership Team
Donny van Dyk, City Manager
Jason Twa, City Clerk
Mellisa Morphy, Acting Chief of Staff, Mayor's Office
Chris Freek, Director of Civic Engagement & Communications
Pragya Grewal, Director, Financial Planning and Analysis

FROM: Colin Knight
General Manager, Finance and Supply Chain Management

SUBJECT: 2027 – 2030 Capital Plan - Preliminary Funding Capacity

RTS # N/A

Dear Mayor and Council,

This memo outlines the City's capital funding outlook and capacity for the 2027–2030 Capital Plan period and provides the financial context that will inform the development of the Draft Capital Plan. This memo also incorporates highlights from the 2026 Financing Growth update including development revenue forecasts and preliminary allocations of development revenue for growth infrastructure and amenities that contribute to the overall funding capacity of the Capital Plan.

Executive Summary

The draft capital plan will be available in mid-July and presented to Council on July 28th. The envelope of the draft capital plan is determined by an assessment of the available funding capacity. Staff have considered several factors in establishing funding capacity, including:

- Approved funding including Council direction on infrastructure levy increases
- Revenue projections, including fee and development contributions
- Reserves
- Senior government funding
- Third party assessment of borrowing capacity

The Draft Capital Plan funding capacity is currently estimated to be approximately \$3.5 billion. This represents an increase of approximately \$200-250 million from the current 2023-2026 capital plan funding envelope of \$3.3 billion. In addition, in-kind contributions of \$100M are anticipated to be secured and delivered through development in 2027-2030.

Highlights of the 2027-2030 funding outlook include:

- Increased City funding resulting from Council's direction to increase the infrastructure levy from 1% to 2% per year. This increase, building on the 1% increases in each year of the current capital plan, has added over \$250 million in additional funding capacity. This will enable the City to make significant progress in the next 4 years addressing the \$500 million annual infrastructure deficit.
- The City can responsibly utilize additional borrowing capacity that will enable investment in critical renewal of essential infrastructure, including community facilities, roads, and utility infrastructure.
- Development contributions (cash component) are expected to decrease by \$150-200 million as a result of a market slowdown. This, combined with reductions to senior government funding programs announced in recent budgets, puts significant pressure on the available capital funding, requiring difficult tradeoffs and prioritization as part of the draft Capital Plan.
- Preliminary development contribution allocations have been proposed in accordance with Council's direction to prioritize investment in critical and essential infrastructure to support service delivery and growth including Community and Recreation Facilities, Transportation and Parks amenities, and core infrastructure. After consultation with stakeholders, these allocations will be presented to Council for consideration on July 28 and may be adjusted based on the final Capital Plan approved by Council.

Background and Context

On April 14, 2026, staff provided Council with an update on the [development of the 2027-2030 Capital Plan](#), including the planning approach, key milestones, and public and Council engagement process. Since then, Council has provided direction on Capital Plan priorities through the "Back to Community: Establishing Strategic Priorities and Consolidating Council Direction for the 2027-2030 Capital Plan" motion approved on April 22, 2026. Both the 2027-2030 Capital Plan and the related 2026 Financing Growth Update are being updated to reflect funding allocations towards essential infrastructure as directed by Council.

The Capital Plan is being developed in an environment of continued economic uncertainty and fiscal constraint, characterized by elevated construction costs, slowing growth in development-related revenues, and limited contributions from senior governments and external funding partners.

At the same time, the City faces significant infrastructure renewal pressures as many assets and community-serving facilities continue to age and approach the end of their useful lives. The City's estimated annual infrastructure deficit of approximately \$500 million reflects past underinvestment and will require sustained investment over time to address.

Council has approved an increase to the Infrastructure Levy, bringing the total dedicated levy to 2% to help address the City's infrastructure renewal deficit. While this represents an important step toward reducing the renewal gap, tradeoffs are required. Staff are preparing a draft Capital Plan within available funding capacity that incorporates Council direction and delivers the priorities from approved City plans and strategies.

Detailed information shared with Council to inform the draft capital plan, including a report on facilities condition, are available at <https://vancouver.ca/your-government/capital-plan.aspx>

Funding Capacity Overview

The Capital Plan funding capacity is established as part of capital plan development and ensures that the capital plan can be delivered within the City's financial sustainability guiding principles. The City relies on many funding sources to fund capital projects; the Capital Plan integrates those varied funding sources as part of a four-year financial strategy that guides investment in essential infrastructure and public amenities. Through the Capital Plan, the City establishes a structured approach to planning and delivering long-term infrastructure investments that support the daily functioning of the City.

Financial Sustainability Guiding Principles

Vancouver, like other Canadian cities, offers a broad range of services but has limited revenue sources. The City adheres to prudent fiscal stewardship with careful financial planning that balances short-term operating needs with long-term infrastructure and amenity requirements. The City's financial planning process is guided by a set of financial sustainability guiding principles and financial health targets:

Fiscal Prudence

- Live within our means.
- Consider long-term implications in all decisions.
- Maintain a stable and predictable revenue stream.
- Keep debt at a manageable level.
- Build in flexibility and contingencies for emerging priorities and opportunities.

Affordability and Cost-effectiveness

- Deliver services that are relevant and result in desired public outcomes.
- Ensure value for money through productivity and innovation.
- Keep property tax and user fees affordable and competitive.

Asset Management

- Maintain assets in a state of good repair.
- Optimize operating and capital investments to meet public and economic needs while achieving value for the investment.

Funding Tools for Capital Investments

Consistent with longstanding Council policies and financial sustainability principles, the City funds capital investments through a combination of City, development-related, and partner contribution sources. This diversified funding model supports renewal and replacement of existing infrastructure, delivery of growth-related amenities, and advancement of strategic Council and Board priorities.

City Contributions – These include property tax, utility fees (water, sewer and waste collection), Empty Homes Tax, City reserves, and debt used to finance capital investments. Capital maintenance and renewal of existing infrastructure and amenities are funded primarily from these sources.

In developing the Capital Plan funding capacity, a key consideration is balancing infrastructure investment needs with the impacts to the operating budget, property tax, and utility fees arising from debt servicing, pay-as-you-go funding requirements, and future operating and asset lifecycle costs. Like most major Canadian cities and senior levels of government, debt financing is an important component of the City's funding strategy, allowing long-term infrastructure costs to be distributed over time. The City maintains strong credit ratings (Aaa/AAA) and adheres to borrowing authorities under the Vancouver Charter¹, with Council-approved capital budgets determining annual borrowing requirements.

Development Contributions – Infrastructure and amenities to support growth are funded in part through development-related revenues such as Development Cost Levies (DCLs), Community Amenity Contributions (CACs), Amenity Cost Charges (ACCs), development servicing conditions, and utility connection charges.

- Pursuant to the Vancouver Charter and applicable DCL By-laws, Council may elect to use DCLs to help fund parks, transportation, utilities infrastructure, fire, police, solid waste, housing, and childcare. As part of the 2026 Financing Growth Update, Fire is recommended to be added as a new DCL eligible service.
- CACs are negotiated through rezoning and can be collected for a wide range of amenities. CACs are expected to continue to apply to complex rezonings, but with the introduction of ACCs and with the approval of additional City-initiated rezonings their use will reduce over time. ACCs are a new development financing tool introduced by the

¹ Under **section 242** of the Vancouver Charter, Council has the authority to borrow funds for the construction, installation, maintenance, replacement, repair, and regulation of waterworks, sewerage and drainage, and energy utility systems without assent of the electorate. Under **section 245** of the Vancouver Charter, borrowing authority for all other purposes must be approved by voters through a borrowing plebiscite. The Council establishes borrowing requirements through approval of the annual capital budget.

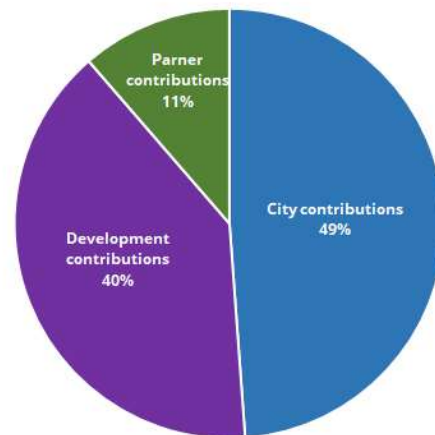
Provincial Government into the Vancouver Charter in late 2023. ACCs enable the City to collect funds for amenities not included in the DCL framework. Like DCLs, ACCs are a transparent fee with a set rate and paid at Building Permit issuance. The 2026 Financing Growth Update will introduce a city-wide ACC which will be levied on new development and is recommended to fund community/recreation facilities, cultural/social facilities, public art, libraries, and public spaces.

Partner Contributions – The City actively pursues external funding opportunities to maximize the value of each tax dollar and advance Council, Board, and community priorities and delivery of essential infrastructure. This includes funding from federal and provincial governments, contributions from TransLink for transportation infrastructure, and support from non-profit organizations, foundations, and philanthropists. However, recent federal and provincial budgets indicate growing fiscal deficits, which may limit the scale and predictability of these funding opportunities to support the City’s increasing infrastructure needs. Reductions have been announced to existing funding programs, which has a direct impact on available funding capacity for the 2027-2030 Capital Plan. Staff will continue to work with senior government partners, and the Capital Plan will be updated as new partner funding becomes available.

2023-2026 Capital Plan Funding

The 2023-2026 Capital Plan, approved by Council in June 2022, focuses on maintaining the City’s infrastructure and amenities in a state of good repair, optimizing the City’s network of assets to support growth and economic development, and expanding infrastructure and amenities to address emerging needs and priorities. To date, Council has approved adjustments to the 2023-2026 Capital Plan to support the delivery of existing projects underway and manage emerging capital needs, including cost escalations and external funding opportunities. The 2023-2026 Capital Plan stands at \$3.3 billion, with an additional \$706 million in developer-led projects secured or anticipated.

2023-2026 Capital Plan Funding Sources



2027-2030 Funding Outlook

The funding outlook looks at each category of funding and incorporates them into an integrated funding strategy. The following section summarizes the key assumptions and corresponding funding capacity associated with the various funding sources supporting the City’s capital investments.

Enhanced City Contributions

Supporting Long-Term Infrastructure Renewal while managing Property Tax and Utility Impacts

The City continues to face significant pressure to maintain and renew its aging infrastructure to support service delivery and growth. The City's estimated annual infrastructure deficit of approximately \$500 million reflects past underinvestment. Addressing this deficit will require sustained and strategic investment over time. Without continued reinvestment, aging assets will continue to deteriorate, increasing lifecycle costs, reducing service reliability, and placing additional pressure on future capital plans. Inflationary pressures and construction cost escalation further compound these challenges, increasing the risk that the infrastructure deficit will continue to grow if investment levels do not keep pace with renewal needs.

As part of 2023-2026 Capital Plan, Council took meaningful steps to address these pressures through the implementation of a dedicated 1% Infrastructure Renewal Levy, which enabled major renewal investments and helped reduce the City's infrastructure backlog. However, despite this progress, the funding levels remained insufficient to maintain assets in a state of good repair and fully address long-term infrastructure renewal needs. To address growing infrastructure needs, Council approved an additional 1% infrastructure levy through the 2027-2030 Capital Plan process, increasing the total dedicated infrastructure levy to 2%. This investment will help close infrastructure funding gaps, support the renewal and rehabilitation of aging assets, and enhance the long-term sustainability and reliability of essential City services. This incremental levy is expected to generate approximately \$125 million in additional funding capacity over the 2027-2030 Capital Plan period and would accelerate the closure of the infrastructure renewal gap to approximately 20 years, compared to 40 years under the current financial framework.

The funding assumptions also continue to include an annual 5% utility fee increase dedicated to utility infrastructure renewal. This is based on previous Council direction to increase the renewal rates for Water and Sewer to 1% annually, from current renewal rates of 0.5%. Significant investment has been made in utility infrastructure in the 2023-2026 capital plan. While continued construction cost inflation has made increasing renewal rates more challenging, staff will continue to recommend a steady and predictable approach to utility fee increases, alongside exploring other funding strategies, to enable continued progress towards the 1% renewal rate target.

Based on these funding assumptions, the total funding capacity supported through property taxes and utility fees is estimated at approximately \$1.2 billion, compared to \$750 million in tax and utility fees funding in the 2023-2026 Capital Plan.

Increased Debt Financing to Support Infrastructure Needs

A recent report by Deloitte LLP, which reviewed the City's internal borrowing policies and practices, historical and current capital investments, and benchmarking against comparable municipalities (see Appendix A), found that the City's current approach to managing long-term borrowing capacity, anchored in maintaining annual debt servicing

costs below 10% of operating revenues, supports affordability and financial flexibility. However, this approach is conservative relative to peer jurisdictions and suggests there is potential for additional borrowing capacity to support infrastructure investment, while still maintaining prudent financial management.

For the 2023-2026 Capital Plan, debt financing is approximately \$730 million. Based on the analysis of staff and the third-party review by Deloitte, staff have assessed that debt capacity can be expanded by an additional \$330 million in tax-supported debt, bringing the estimated total new borrowing to \$1.1 billion for the 2027-2030 period. After accounting for sinking fund contributions and repayments, net debt is anticipated to range from \$800 million to \$1 billion in the 2027-2030 capital plan period. Borrowing beyond this level is not recommended and would create additional requirements on property tax to sustain additional borrowing, as well as impact the City's strong credit rating.

Staff will continue to monitor key financial health indicators, including debt servicing levels, liquidity, operating impacts, and credit rating considerations, to ensure the City maintains long-term affordability and financial flexibility. Based on staff and third-party assessment of key financial health metrics reviewed by credit rating agencies, the recommended approach to debt is responsible and continue to demonstrate the City's financial health. Staff will continue to conduct further analysis and monitor the implications on credit ratings. However, it is important to note that there are factors outside of the City's control that can impact credit rating agency assessments, including recent credit rating downgrades of the provincial government.

City is expected to maintain strong fiscal performance over next 18–24 months, supporting its ability to address infrastructure renewal priorities while continuing to maintain strong liquidity & comparatively low debt levels, consistent with recent Moody's assessments. The proposed threshold is also aligned with debt servicing ratios maintained by comparable peer municipalities and broader public sector organizations, as outlined in Appendix A.

Capital Reserves

The City allocates property tax and utility fee revenues to capital reserves to support the delivery and renewal of essential infrastructure and civic amenities. The Capital Plan includes forecasted funding capacity from ongoing reserves, including Empty Homes Tax Reserve, Fleet Reserve, Civic Theatre Reserve, and other dedicated reserve accounts.

Development Contributions

The 2026 Financing Growth Update is a comprehensive update to existing and new development contribution tools with revenue forecasted over a 10-year period that supports growth-related investments in the 4 year Capital Plan. Given the current economic climate and the uncertain real estate market, development revenues over the upcoming Capital Plan period are forecast to be more limited than previous years. Further downward pressure on development-related revenues results from mandated in-stream rate protection associated with the implementation of the new ACC, deferred payment options,

and the recommended DCL/ACC rental waiver program. Staff has approached the 2026 Financing Growth Update with an emphasis on balancing growth-related cost recovery while maintaining near-term development viability. Staff is recommending that the existing 20% reduced DCL rates (from December 2025, Development Viability report approval) be maintained and that any remaining capacity to increase rates be used to offset the nominal rate being introduced with the proposed new City-wide ACC levy.

Over the next 10 years (2027-2036), development in the City of Vancouver is expected to add approximately 44 million sq. ft. of new residential floorspace and 11 million sq. ft. of employment floorspace. The recommended DCL and ACC rates are anticipated to support approximately \$2.5 billion of contemplated net municipal growth costs over the next 10 years (2027-2036).

ACC revenue will be significantly reduced because of mandated in-stream rate protection which protects all in-stream applications (rezonings, development/building permits) from being subject to the initial ACC by-law. This significantly limits forecasted development revenue for the 2027-2030 Capital Plan. The impact of the new ACC in-stream protection will diminish over time as new applications are received and processed. As part of the 2026 Financing Growth Update, staff will recommend allocating future and potentially existing CAC revenue towards ACC-eligible assets to address the funding shortfall arising from the mandated in-stream rate protection.

DCL and ACC allocations in the 2027-2030 Capital plan take a fiscally conservative approach to anticipating development funding available for spending on capital projects. As directed through Council motions on Capital Plan priority investments, preliminary DCL and ACC allocations have been adjusted to reflect higher allocations towards essential infrastructure including Community/Recreation Facilities, Transportation and Parks amenities. As a result of the prioritization directed by Council, preliminary DCL allocations to Housing and Childcare are reduced from the previous DCL update, however, there are other city funding tools available to support both housing and childcare delivery in the 2027-2030 draft Capital Plan. These tools include the Empty Homes Tax and the City's new inclusionary zoning tool to support housing and in-kind contributions for childcare. The city relies on senior government funding for partnership investment opportunities to realize its housing and childcare goals. For the 2027-2030 Capital Plan, approximately \$700 million in development contribution funding is anticipated, compared to ~\$900 million funding in the 2023-2026 Capital Plan, and adjustments to the capital plan can be made

See table below for recommended preliminary 10-year DCL and ACC allocations. Note that there are other funding tools available to support the delivery of these DCL/ACC asset categories and which will be identified in the 2026 Financing Growth Update.

Recommended Preliminary 10-Year DCL and ACC Allocations (2027-2036)

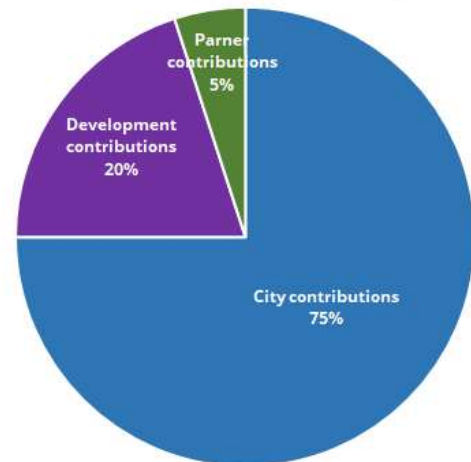
Tool	Asset Category	DCL / ACC Eligible Program Costs (\$ million)
Development Cost Levies (DCLs)	Utilities	875
	Transportation	525
	Parks	400
	Fire	120
	Housing	100
	Childcare	15
Amenity Cost Charges (ACCs)	Community & Recreation Facilities	175
	Arts, Culture, Public Art & Social Facilities	140
	Public Spaces	140
	Libraries	25

Limited Partner Contributions

Recent federal and provincial budgets indicate growing fiscal deficits, which may limit the scale and predictability of these funding opportunities to support the City's increasing infrastructure needs. Reductions have been announced to existing funding programs, which has a direct impact on available funding capacity for the 2027-2030 Capital Plan. The 2027-2030 Capital Plan includes approximately \$200-250 million in partner contributions, compared to around \$450 million partner funding in the 2023-2026 Capital Plan.

The following chart summarizes the preliminary 2027-2030 Capital Plan funding capacity of \$3.5 billion by different funding sources.

2027-2030 Capital Plan Funding Sources



Capital Investments Supported by the Funding Capacity

The preliminary 2027-2030 Capital Plan reflects the City's projected funding capacity of approximately \$3.5 billion, allocated to renew and maintain infrastructure and amenities in a state of good repair, while supporting growth, economic development, and advancing Council and Board priorities.

The proposed plan will support ongoing capital programs such as sewer main renewal, active transportation corridors, and continued maintenance and rehabilitation of City

infrastructure and advance shovel-ready and major one-time projects aimed at renewal and delivery of essential infrastructure.

2027–2030 Capital Plan Timeline & Next Steps

The following outlines the key phases and milestones that will guide the development of the 2027–2030 Capital Plan, along with Council / Public engagement:



Staff will update Council with additional information as the plan is developed, and the draft 2027–2030 Capital Plan will be brought forward with the Financing Growth Update for Council’s consideration July 28, 2026.

Summary

The preliminary funding framework for the 2027–2030 Capital Plan reflects a disciplined and financially sustainable approach to addressing the City’s growing infrastructure renewal and service needs within a constrained fiscal environment. The proposed outlook prioritizes maintaining essential infrastructure and civic assets in a state of good repair while advancing key Council priorities and supporting long-term city-building objectives.

To help address the City’s significant infrastructure renewal gap, in addition to the incremental 2% Infrastructure Renewal Levy, staff are proposing enhanced debt financing. Together, these measures are expected to generate approximately \$400 million in additional funding capacity and significantly accelerate infrastructure renewal timelines.

At the same time, slower development activity and constrained external funding opportunities continue to place pressure on available capital funding sources, reinforcing the need for careful prioritization and prudent financial planning.

Staff will continue refining the proposed funding framework and capital investment priorities through the ongoing Capital Plan development process and will bring forward the draft 2027–2030 Capital Plan and the 2027-2036 Financing Growth Update for Council consideration on July 28, 2026.

Should you have any questions regarding the above, please feel free to contact me at colin.knight@vancouver.ca or (604) 873-7610.

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Appendix A

Deloitte: Considerations for Borrowing Policy and Practice – City of Vancouver

The Deloitte logo is positioned in the top left corner of the slide. It consists of the word "Deloitte" in a bold, black, sans-serif font, followed by a small green dot.

Deloitte.

The background of the slide is a photograph of the Vancouver skyline at dusk. The city lights are reflected in the water of the harbor. On the right side, the large, illuminated geodesic dome of the BC Place stadium is a prominent feature. The sky is a deep blue, and the mountains in the distance are silhouetted against the twilight.

Considerations for Borrowing Policy and Practice

City of Vancouver, May 2026

Note to reader

Deloitte LLP (“Deloitte”) was engaged by City of Vancouver (the “City”) to study policies and practices related to borrowing in support of its 4-year capital plan currently under development. Our work included a review of the City’s current and historical borrowing and capital plans as well as interviews with several comparable municipalities and organizations, financial analysis of publicly available financial statements and research on the cost of deferred maintenance and other related topics.

The findings outlined in this Report are intended to provide a view on whether the City's borrowing can be expanded to address pressing capital needs while maintaining a responsible and sustainable approach to debt management.

In preparing this Report and conducting the scope of work, Deloitte relied upon the information provided by the City, information available publicly and certain information provided by third parties, and Deloitte has not verified this information. None of Deloitte, member firms of Deloitte, nor any of their respective directors, officers, partners, employees, agents or representatives make any representations or warranties as to the accuracy, reasonableness or completeness of the information provided, nor shall any of them have any liability for any representations, expressed or implied contained herein, or for any omissions from this Report or from any other written or oral communications transmitted in connection with this Report based on the information provided. While Deloitte’s services may include advice or recommendations, all decisions relating to the implementation of such advice or recommendations remain the responsibility of, and must be made by, the City.

Deloitte was not engaged to, and did not, perform a financial statement audit, review, or compilation engagement for the purpose of expressing an opinion on, or preparing, historical financial information in accordance with standards established by Chartered Professional Accountants Canada (“CPA Canada”) or any other regulatory body.

Executive summary

The City’s approach to borrowing is relatively conservative. Peer comparison indicates capacity to increase borrowing prudently within existing conservative parameters.

Infrastructure needs exceed available funding.

The City faces a persistent infrastructure funding gap driven by aging assets and growth. Current funding levels remain below those required to renew, replace and consistently maintain assets in a “State of Good Repair”, resulting in an increasing gap between identified needs and available capital.

Capital planning is disciplined but constrained by affordability.

The City applies a well-established capital planning framework that integrates long-term service plans, asset management information, including asset condition assessments, and identified infrastructure and facility needs with overall affordability considerations. This approach balances service and investment requirements against available funding, requiring disciplined prioritization and decision-making within a defined capital funding envelope.

The City’s approach to borrowing is relatively conservative and supports a strong financial position.

The City’s borrowing emphasizes affordability, financial flexibility, and credit quality. This is reflected in lower debt levels, interest costs, and overall debt burden relative to peer organizations.

The current approach supports financial discipline and flexibility but may limit the extent to which borrowing is used to advance infrastructure renewal, replacement, and maintenance. Deferred infrastructure renewal results in higher lifecycle cost, increased service risk, and greater long term financial exposure.

There is capacity to increase borrowing prudently within existing constraints (based on comparison with peers).

Peer comparison indicates that the City may have capacity to increase borrowing prudently within its existing financial framework. Illustrative scenarios suggest potential additional borrowing of approximately \$175 million to \$375 million in 2027, with modest impacts on key financial metrics over a 10-year period.

A key consideration before increasing borrowing for infrastructure renewal, replacement and maintenance projects is the City’s capacity to deliver and maintaining affordable tax rates.

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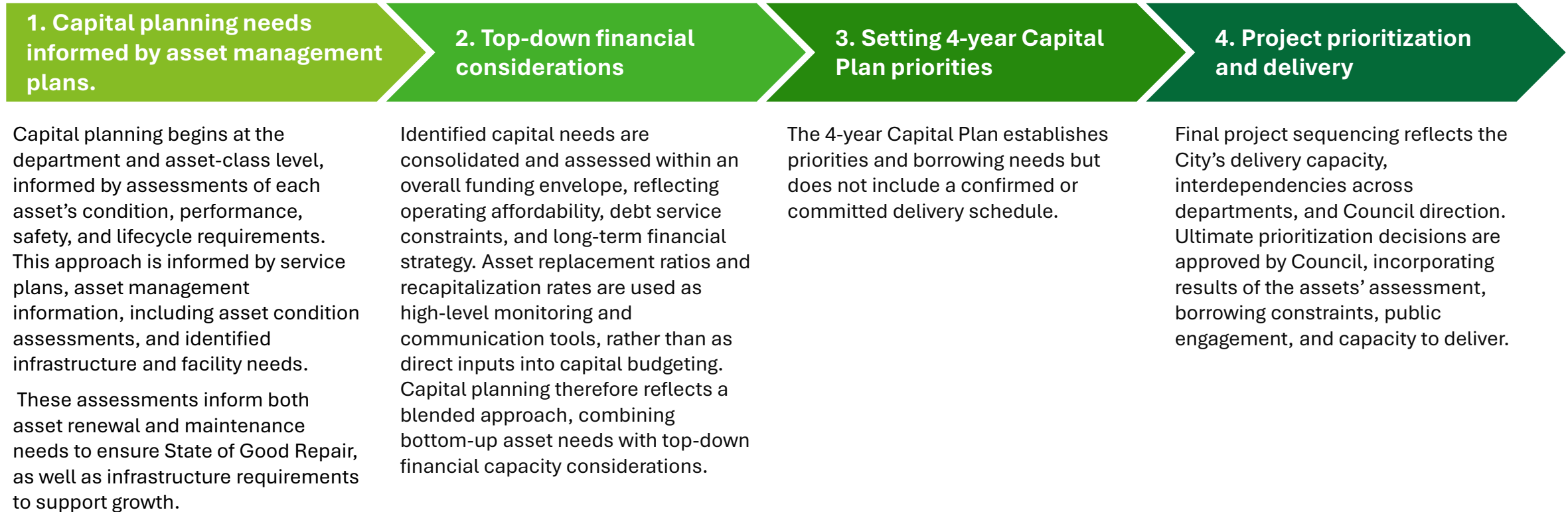
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1. The City's approach to capital planning and borrowing

How the City of Vancouver develops its capital plan and prioritizes infrastructure investment

The City's capital planning process brings together identified infrastructure needs and overall financial capacity to prioritize investments within available funding.



Capital plan is funded through a mix of sources including debt

Infrastructure needs identified in the capital plan exceed available capital funding, requiring prioritization within available resources.

Capital plan funding sources and needs	
4-Year (2023-2026) Capital plan funding mix (total \$3.99B):	Alignment of funding sources with capital needs:
<p>City contribution (\$1,957M or 50% of total plan)</p> <ul style="list-style-type: none"> • Pay-as-you (tax and utility-rates funded, 19%) • General and utility debt (18%) • Reserves (12%) 	<p>Capital maintenance and renewal of existing infrastructure and amenities, i.e. State of Good Repair</p>
<p>Development contributions (\$1,585M or 40% of total plan)</p> <ul style="list-style-type: none"> • Development-related revenues such as Development Cost Levies (DCLs) • Community Amenity Charges (City-led and developer led) • Density bonus contributions • Development servicing conditions • Utility connection charges 	<p>Infrastructure and amenities that support growth.</p>
<p>Partner contributions (\$451M or 10% of total plan)</p> <ul style="list-style-type: none"> • Funding from federal and provincial governments • Contributions from Metro Vancouver • Contributions from TransLink for transportation infrastructure • Support from non-for-profit organizations, foundations and philanthropists 	<p>Advancing Council, Board, and community priorities and delivery of core and essential infrastructure.</p>

Source: information provided by the City of Vancouver and derived from the City’s 2023-2026 Capital Plan.

The City's approach to borrowing prioritizes affordability and long-term financial flexibility

This approach is conservative such that it limits use of debt to address infrastructure needs.

Borrowing approach

Borrowing is governed by asset life, affordability, and operating capacity.

- Borrowing is used for capital assets with a useful life greater than 10 years and is typically repaid over a 10-year period.
- The City distinguishes between:
 - Utility debt, supported by tax
 - Tax-supported debt, repaid through general operating revenues and subject to voter approval
- Provincial regulation¹ enacted under the Community Charter, which governs other municipalities in BC but not the City of Vancouver, sets a maximum debt service limit at 25% of specified municipal revenues.
- While the Vancouver Charter limits the City's total debt to less than 20% of the assessed value of taxable real property (based on a two-year average). In practice, the City's borrowing is constrained by debt-servicing affordability rather than the Charter's limit, which is set beyond realistic fiscal capacity².
- The City's practice has been to target the long-term annual cost of servicing debt to less than 10% of operating revenue, while also monitoring other credit rating metric³.
- Maintaining a strong AAA credit rating⁴ is a key consideration in borrowing decisions, supporting favourable borrowing costs and financial resilience.

Implications

The City's capital funding approach reflects a balance between infrastructure needs and affordability considerations.

- The City's capital funding approach reflects a balance between infrastructure needs and maintaining affordability within its financial framework. While this supports financial discipline and flexibility, it may influence how infrastructure needs are addressed over time, reflecting both funding considerations and the City's capacity to plan and deliver capital projects.
- Annual funding for infrastructure investment is below the estimated level required to maintain assets in a State of Good Repair, contributing to a growing infrastructure gap.
- Both debt servicing and pay-as-you-go funding rely on the same revenue base (property taxes and user fees).
- Increasing reliance on debt constrains operating revenue, limiting the City's ability to fund capital projects directly from operations.

Sources: ¹Municipal Liabilities Regulation of British Columbia (B.C. Reg. 254/2004) last amended 9 June 2025.

²Vancouver Charter, SBC 1953, c. 55, Section 236 (Limit of borrowing power), which caps total debt at 20% of the assessed value of taxable real property, based on a two-year average assessment.

³The Charter does not establish a formal debt service limitation. In practice, the City maintains an internal guideline of keeping debt servicing costs below 10% of operating revenue and has historically pursued elector approval where this threshold would be exceeded.

⁴Credit opinion issued by Moody's Ratings on 2 April 2026

An ongoing gap between infrastructure needs and available funding may have implications for investment timing and long-term costs

Deferring infrastructure investment may help manage short-term affordability pressures, but may also have implications for lifecycle costs, service reliability, and long-term financial exposure.

Accumulating infrastructure gap

An ongoing gap between infrastructure requirements and available funding;

- Based on a 2.5% replacement value assumption used by the City in the 2023–2026 Capital Plan, approximately \$800 million per year (2022 estimate) is required to maintain existing assets in a State of Good Repair.
- The 2023-2026 Capital Plan identifies approximately \$300 million per year for asset renewal, maintenance, and upgrades.
- This suggests an estimated annual infrastructure funding gap of approximately \$500 million, based on current planning assumptions.

Implications

Deferring infrastructure renewal does not eliminate the need for investment – it shifts costs and risks into the future, often at a higher total lifecycle cost. As assets continue to age, their condition may deteriorate more quickly, increasing the likelihood that planned maintenance evolves into more complex and potentially more costly repairs and replacement.

Deferred renewal may increase exposure to several risks, including:

- **Escalating capital costs over time.** Construction costs, labour, and materials may increase, making future renewal more expensive even for the same scope of work.
- **Service disruptions and reliability risks.** Aging infrastructure may be more prone to failure, reducing service reliability and increasing the likelihood of outages or disruptions.
- **Greater reliance on reactive repairs.** Emergency repairs may be more costly and less efficient than planned, programmatic maintenance.
- **Pressure on operating budgets and delivery capacity.** Unplanned maintenance may place additional strain on operating budgets, staff resources, and service delivery.
- **Potential impact on financial resilience.** Ongoing underinvestment in infrastructure renewal may increase financial and operational risks over time and could affect assessments of long-term financial sustainability.

2. Assessment and implication of the City's borrowing capacity

The City’s approach to assessing borrowing capacity

Borrowing capacity is assessed using a range of financial parameters commonly considered by credit rating agencies, each reflecting a different aspect of affordability, financial resilience, and capacity to service additional debt.

#	Financial parameter	Target	The City’s position
1.0	Debt service % of operating revenue	≤ 10% (internal practice)	Below the limit* (5.41%)
2.0	City’s consideration of Moody’s AAA credit rating	Aaa / AAA (Stable)**	Achieved
2.1	Debt affordability (rating-agency view) Higher is preferable		Strong / Very strong (interest and debt service consume a small share of revenue)
2.2	Liquidity Higher is preferable		Strong (exceptional level of liquidity and continued improvement in metrics)
2.3	Net debt to operating revenue Lower is preferable		Strong (low debt levels and favorable debt metrics)
2.4	Interest expense % of operating revenue Lower is preferable		Low / manageable (Aaa typically <1.5)
2.5	Debt per capita Lower is preferable		Low (low debt levels and favorable debt metrics)

The City’s position with it’s current borrowing levels are well within targets suggesting there may be capacity to increase borrowing while remaining within target

*Based on a three-year average of the City of Vancouver’s financial statements (FY2023–FY2025).

** The City’s credit profile is influenced by senior government credit ratings. Recent downgrades to the Province’s credit rating have an indirect negative impact on the City’s rating.

Note: Qualitative ratings (e.g., “strong”, “very strong”, “exceptional”) are aligned with rating agency frameworks (e.g., Moody’s) and reflect underlying quantitative metrics such as debt service ratios, liquidity levels, and debt burden indicators. Where applicable, lower values (e.g., net debt to operating revenue, interest expense, debt per capita) indicate stronger performance; higher values (e.g., debt affordability, liquidity) indicate stronger performance.

Credit rating considerations support potential room to increase borrowing

Key credit rating parameters suggest capacity to increase borrowing while maintaining a strong financial position.

Credit rating agencies rely on a limited set of critical financial ratios to assess borrowing capacity. Taken together, the five parameters used by Moody’s credit rating have been qualitatively assessed in terms of the potential capacity to increase borrowing.

#	City’s consideration of Moody’s AAA credit rating:	Why it matters	Potential room to increase borrowing*
2.1	Debt affordability (rating-agency view) The high, the better	Reflects how much debt the City can support within its operating budget.	Strong affordability indicates capacity to accommodate additional debt without near-term pressure on financial performance.
2.2	Liquidity (operating flexibility) The high, the better	Provides flexibility to manage short-term pressures and support debt servicing.	Exceptional liquidity supports the ability to absorb additional borrowing and manage variability in capital spending.
2.3	Net debt to operating revenue The lower, the better	Indicates overall leverage relative to the City’s revenue base.	Low leverage relative to peers suggests significant capacity to increase borrowing.
2.4	Interest cost as % of revenue The lower, the better	Measures the share of the operating budget committed to interest payments.	Low interest burden indicates capacity to service additional debt while maintaining budget flexibility.
2.5	Debt per capita The lower, the better	Provides a comparative measure of debt burden across municipalities	Low levels relative to peers indicate a conservative position and potential to increase borrowing.

Financial metrics that are typically used for credit rating assessment indicate that there is potential borrowing capacity. Consultation with credit rating agencies is required to confirm this assessment.

Sources: Methodology for “Rating Canadian Municipal Governments” by Morningstar DBRS, June 2015. Credit opinion for the City of Vancouver by Moody’s Ratings, 2 April 2026.
 Note: the ratings in the table above should not be understood as the final rating for a city with matching metrics. The final rating is a blend of operating risk and financial risk considerations in their entirety.
 *Potential room to increase borrowing is assessed qualitatively, based on an overview of the identified parameters.
Note: Qualitative ratings (e.g., “strong”, “very strong”, “exceptional”) are aligned with rating agency frameworks (e.g., Moody’s) and reflect underlying quantitative metrics such as debt service ratios, liquidity levels, and debt burden indicators. Where applicable, lower values (e.g., net debt to operating revenue, interest expense, debt per capita) indicate stronger performance; higher values (e.g., debt affordability and liquidity) indicate stronger performance.

Additional financial parameters further support borrowing capacity

These parameters provide additional perspective on how borrowing is structured and used, complementing standard credit rating and policy metrics.

Besides standard financial metrics used by credit rating agencies to assess borrowing capacity, there are several additional parameters Deloitte identifies to verify the potential to meaningfully increase borrowing capacity while maintaining prudent debt management approach.

#	Additional financial parameter to assess borrowing room	The City's position	Why it matters	Potential room to increase borrowing*
3.0	Debt-funded share of capital	Relatively low (12%)	Indicates the balance between borrowing and pay-as-you-go funding, with implications for operating budget pressure.	A relatively low reliance on debt suggests capacity to increase borrowing while maintaining affordability.
4.0	Amortization period vs asset life	10 years for long-lived assets	Assesses whether debt repayment amortization is aligned with asset life, which affects both annual debt burden and intergenerational equity.	Short amortization periods indicate that borrowing costs are front-loaded, suggesting potential capacity to increase borrowing by better aligning terms with asset life.

These additional parameters reinforce the overall assessment that the City's current approach remains conservative, with potential to increase borrowing while maintaining a prudent financial position.

Note: *Potential room to increase borrowing is assessed qualitatively, based on an overview of the identified parameters.

3. Comparison with selected peer organizations

Peer selection and comparison approach

Organizations were selected and reviewed to provide a consistent and relevant basis for comparing borrowing policies and practices.

Peer selection

To benchmark the City’s borrowing approach, a mix of large Canadian municipalities and capital-intensive public organizations were selected, reflecting comparable scale, complexity, and material capital programs.

- **Municipal peers:** City of Calgary, City of Ottawa, City of Toronto
- **Local / public organizations:** Metro Vancouver, TransLink, BC Hydro

Selection was guided by:

- **Relevance and scale:** Organizations with comparable fiscal significance and capital program scale and complexity.
- **Comparable borrowing context:** Use of long-term borrowing within defined policy, regulatory, or affordability constraints.
- **Evidence base:** Analysis of publicly available information, complemented by interviews with all selected organizations.

While peer organizations were chosen to be comparable with the City, each organization is different in the services they deliver, financial structure and operational constraints and guardrails. Comparisons are indicative and need to be considered in the context of factors specific to the City.

Review framework

Borrowing policies and practices were reviewed for each organization to understand both how debt is used to support capital delivery and how affordability and risk are managed over time.

The comparison is structured around four consistent aspects:

- 1. Operating affordability:**
The extent to which the operating budget can absorb debt servicing while maintaining service delivery and flexibility.
- 2. Credit quality and resilience:**
Management of leverage, liquidity, and key indicators commonly considered by credit rating agencies.
- 3. Intergenerational equity:**
Alignment of repayment amortization with the useful life of assets, ensuring costs of addressing the infrastructure deficit is balanced across those benefiting from the use of the assets, and that costs don't disproportionately fall to current or future generations.
- 4. Financial flexibility:**
Ability to maintain capacity to respond to shocks and future infrastructure needs after taking on additional debt.

Debt policy and practices across peers

Borrowing across peer municipalities is shaped by a combination of provincial regulations and municipal policies, which define affordability thresholds and constrain borrowing capacity.

Across peer municipalities, debt is governed by:

- **Provincial regulations** establish maximum thresholds for borrowing and debt servicing.
- **Municipal policies** often introduce more conservative limits to manage affordability and maintain financial flexibility.

Compared to selected peers, the City of Vancouver has a more conservative approach to borrowing. While peer municipalities use debt more proactively or as a supporting tool within broader funding frameworks, Vancouver typically treats debt as a residual funding source, issuing debt only for Council-approved capital projects after non-debt funding sources have been prioritized. It is important to note, that each peer municipality delivers different services, and further analysis must consider a broader range of specific to each city factors. This reflects strong fiscal discipline but limits the extent to which borrowing is used to support capital delivery.

Financial parameter	City of Ottawa	City of Calgary	City of Toronto	City of Vancouver
Tax-supported debt service	Tax-supported debt service ≤ 7.5% tax-supported revenue	Tax-supported debt service ≤ 10% tax supported gross expenditures (net of recoveries)	Tax-supported debt service ≤ 15% of property tax revenue	Not formally defined (monitored internally)
Rate-supported debt service	Rate-supported debt service ≤ 15% rate-supported revenue	N/A	N/A	Not formally defined
Debt Service as Percentage of Operating Revenue	N/A	Total debt service ≤ 28% total revenue	N/A	Internal affordability threshold ≤ 10% of operating revenue
Other parameters	Provincial limit of 25% of specified municipal revenues (O. Reg. 403/02)	Total Debt ≤ 1.6 × total revenue	City council established annual debt issuance limit of up to \$2.0 billion per year (for the period of 2022-2026)	Vancouver Charter limit: total debt ≤ 20% of assessed value Provincial servicing limit: ≤25% of calculation revenue

Sources: Municipal debt policies and publicly available financial documents, City of Ottawa Fiscal Framework and Debt Policy, City of Calgary Debt Policy (CP2020-05) adopted by Council in September 2025, City of Toronto Long-Term Financial Plan and Debt Policy, Vancouver Charter (SBC 1953, c. 55, s.236), Municipal Liabilities Regulation (B.C. Reg. 254/2004).

The City of Vancouver’s borrowing metrics are consistently lower than those of peer organizations

Across key affordability and financial metrics, the City of Vancouver consistently reports lower borrowing levels relative to peer organizations.

Financial parameter	City of Vancouver (3-year average)*	City of Calgary	City of Ottawa	City of Toronto	Metro Vancouver	TransLink	BC Hydro
1.0 Debt service as % of operating revenue Annual debt service (principal + interest) ÷ operating revenue	5.4%	7.5%	5.7%	5.8%	18.3%	10.9%	17.4%
4.0 Debt amortization period Typical repayment term or average debt tranches (Avg)	10 Years	~20 Years (Avg)	Up to 40 years**	10, 20 and 30 years	20 and 30 Years	10 and 30 Years	~17 Years (Avg)
2.3 Net debt to operating revenue Net Debt ÷ operating revenue	25.4%	65%	64%	52%	151%	150%	350%
2.4 Interest expense as % of operating revenue Annual interest expense ÷ operating revenue	1.2%	2.3%	3.0%	5.9%	7.1%	9.4%	14.5%
2.5 Debt per capita (for municipalities only)*** Net debt ÷ population	\$861	\$1,905	\$3,071	\$2,713	\$666	N/A	N/A

Notes: Figures are based on publicly available financial information and are standardized by Deloitte for comparability across organizations. Reported values may differ from internally published metrics due to methodological adjustments. *3-year average is based on FY2023, FY2024, FY2025. The historic 3-year average allows more accurate comparison with the peers but excludes currently issued debt and debt issuance authorized under the current capital plan but not yet issued. In further analysis, when taking those exclusions into account, this parameter is higher and reaches 6.12%. Accurate forecast with all financial parameters and their impact considered would require modelling a 4- and 10-year projection and was not undertaken for this exercise.

**Debt terms aligned with asset life, up to 40 years, with refinancing in shorter tranches (10-year); debt term must not exceed useful life.

Sources: Audited financial statements (2024), capital plans, financial reports, and credit rating disclosures for selected organizations.

***While peer organizations were chosen to be comparable with the City, each organization is different in the services they deliver, financial structure and operational constraints and guardrails. Comparisons are indicative and need to be considered in the context of factors specific to the City.

4. Conclusion

The City of Vancouver applies a more conservative approach to borrowing relative to peers

The City's conservative borrowing approach supports affordability and financial flexibility. Based on peer comparison, there is potential to increase borrowing prudently, subject to maintaining operating affordability and the City's capacity to deliver capital projects.

Summary of findings:

1. The City's capital planning practices are broadly aligned with peer approaches, combining bottom-up needs identification with top-down affordability constraints and Council prioritization.
2. A qualitative assessment of parameters used by the City and rating agencies to determine borrowing capacity indicates that there is potential for additional borrowing capacity.
3. Across key borrowing metrics, the City reports lower debt servicing and debt burden than peer organizations. Relative to peers, the City's debt burden and interest costs remain low, while liquidity and operating performance are at the high end of the peer group.
4. The City's conservative approach supports affordability and long-term flexibility, but may limit the extent to which borrowing is used to address the ongoing infrastructure renewal gap identified in the capital planning context.
5. Deferring renewal may reduce short-term affordability pressure, but generally increases long-term costs and risk exposure (e.g., escalating costs, reactive repairs, service disruptions, and pressure on operating budgets and delivery capacity).
6. Targeted adjustments within the existing financial framework, including consideration of delivery capacity for a larger capital program, may support increased borrowing while maintaining a prudent approach to debt management.
7. Any increase in borrowing capacity would need to be paired with (i) appropriate repayment structuring and (ii) the City's ability to plan and deliver a larger capital program.
8. Peer comparison indicates potential room to increase borrowing prudently while remaining within the City's overall policy direction and financial guardrails. Next slide provides indicative ranges of potential borrowing capacity under mid and high comparative scenarios.

Notes: Deloitte relied on information provided by the City, public sources, and third parties and did not independently verify all inputs. Findings are based on a benchmarking exercise using publicly available information, complemented by interviews, and are intended to support a directional assessment of sustainable and responsible borrowing. Increasing borrowing capacity does not by itself ensure infrastructure outcomes; implementation depends on the City's capital delivery capacity and sequencing constraints.

Indicative incremental borrowing capacity under peer-based scenarios

Based on peer comparison, the City has capacity to increase borrowing; the ranges below illustrate potential outcomes under standardized mid and high scenarios.

In addition to all currently outstanding debt and committed debt issuance together reaching \$1.5 billion by 2029, the City has the capacity to further increase its borrowing in 2027 from **\$175 million to \$375 million**. This range was estimated by applying comparative debt service ratios of the peer-municipalities to the City’s current operating revenue and calculating incremental borrowing under standardized assumptions. The resulting increase in debt service is expected to be partially offset by the gradual repayment of existing debt and is not projected to exceed the benchmark debt service ratio (7% and 8% for mid and high ranges respectively) beyond 2029.

It is important to note that according to the City’s analysis, each incremental \$100 million of new debt is estimated to increase the total property tax requirement by approximately 1% cumulative over a 10-year repayment period.

Financial parameter	Mid range	High range	Currently expected*
1.0 Debt service as % of operating revenue	7% Benchmark	8% Benchmark	6.12%
Incremental annual debt service	\$22M	\$46M	N/A
Incremental borrowing capacity (rounded)	\$175M	\$375M	N/A
Estimated increase in the total property tax requirement over a 10-year repayment period	1.7%	3.7%	N/A

While the City has capacity to increase borrowing, it should take into consideration impacts on the property tax requirement, particularly the High Range scenario with an estimated increase of up to a total of ~3.7% over a 10-year period, or ~0.4% per year.

Notes: *Based on all currently issued debt and committed debt issuance up to FY2029. This parameter might increase as the City continues borrowing after 2030. Analysis is indicative, based on standardized assumptions (e.g., interest rates and amortization) and does not reflect the City’s actual debt structure or issuance strategy. Incremental borrowing capacity is estimated by applying mid and high benchmark debt service-to-operating revenue ratios derived from the City of Calgary, Toronto and Ottawa to the City’s operating revenue in FY2027. The difference between this benchmark capacity and debt service at the end of all committed debt issuance (in FY2029) represents available headroom, which is converted into incremental borrowing capacity using an annuity-based approach based on current interest rates and a 10-year amortization. Results are sensitive to assumptions including revenue growth, financing terms, debt structure, and market conditions, and should be interpreted as directional rather than precise. Actual borrowing capacity and financial impact may vary depending on factors such as debt structure (e.g., sinking fund vs. amortization), issuance timing, repayment profile and market conditions, and should therefore be interpreted as directional rather than precise.

Implications of the potential additional borrowing and comparison to peers

Projected impacts of the potential additional borrowing remain within established peer ranges.

Under mid and high benchmark scenarios, additional debt capacity is used to recalculate the City's net debt to operating revenue and interest expense to operating revenue ratios assuming forecasted 2027 operating revenue.

Financial parameter	Mid range	High range
Indicative additional borrowing capacity (rounded)	\$175M	\$375M
2.3 Net debt to operating revenue = Net Debt ÷ operating revenue	45%-50%	55%-60%
2.4 Interest expense as % of operating revenue = Annual interest expense ÷ operating revenue	1.5%-2.0%	2.0%-2.5%

Under all benchmark scenarios, the City's projected ranges for the key financial metrics will remain at a similar level as the current positions of the selected peers.

Financial parameter	City of Calgary	City of Ottawa	City of Toronto	Projected range for the City of Vancouver
2.3 Net debt to operating revenue = Net Debt ÷ operating revenue	65%	64%	52%	45% - 60%
2.4 Interest expenses as % of operating revenue = Annual interest expense ÷ operating revenue	2.3%	3.0%	5.9%	1.5% - 2.5%

In addition to the above financial parameters other financial parameters such as those used by credit rating agencies would be impacted with any additional borrowing. As such, it is recommended for the City to consult with the credit rating agencies.

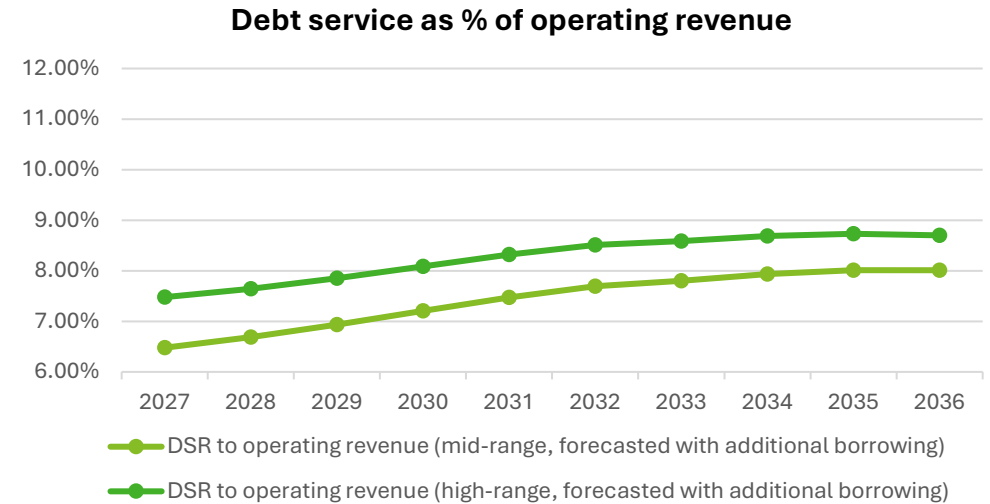
Notes: *Based on all currently issued debt and committed debt issuance up to FY2029.

Analysis is indicative, based on standardized assumptions (e.g., interest rates and amortization) and does not reflect the City's actual debt structure or issuance strategy. Incremental borrowing capacity is estimated by applying mid and high benchmark debt service-to-operating revenue ratios derived from the City of Calgary, Toronto and Ottawa to the City's operating revenue in FY2027. The difference between this benchmark capacity and debt service at the end of all committed debt issuance (in FY2029) represents available headroom, which is converted into incremental borrowing capacity using an annuity-based approach based on current interest rates and a 10-year amortization. Results are sensitive to assumptions including revenue growth, financing terms, debt structure, and market conditions, and should be interpreted as directional rather than precise. Actual borrowing capacity and financial impact may vary depending on factors such as debt structure (e.g., sinking fund vs. amortization), issuance timing, repayment profile and market conditions, and should therefore be interpreted as directional rather than precise.

Long-term impact of additional borrowing

Debt service ratio – outlook to 2036

- As the City continues to borrow to fund future capital plans, the additional borrowing capacity identified in this analysis is expected to increase the debt service ratio over time under both mid- and high-range scenarios.
- The magnitude of this increase varies by scenario, with higher borrowing resulting in a greater impact on annual debt servicing requirements.
- Despite this increase, projected levels remain manageable relative to peer benchmarks:
 - Mid-range scenario: within peer comparator ranges
 - High-range scenario: approaching the upper end of peer comparator ranges



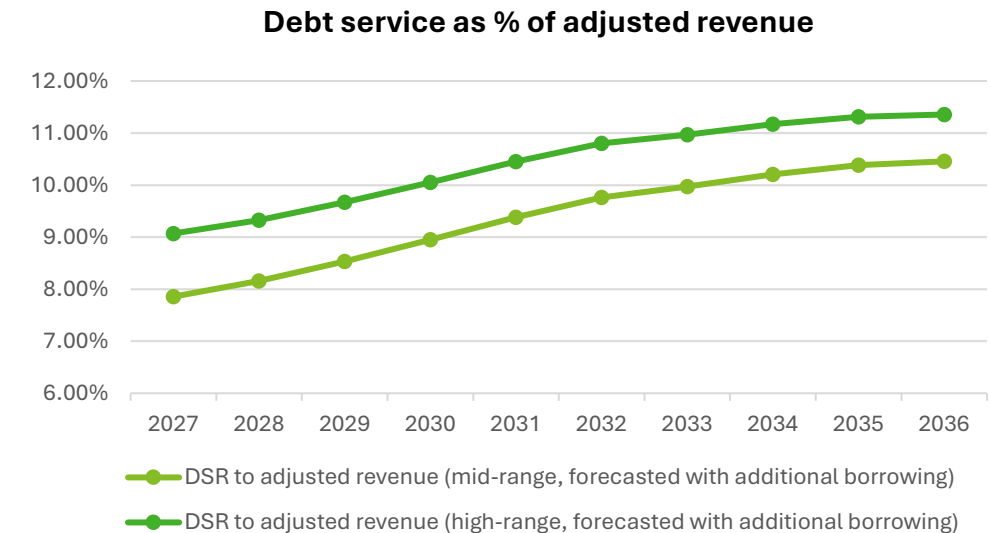
Affects of adjusted operating revenue for Metro Vancouver levies

Approach

The City assesses borrowing capacity using both operating revenue and an adjusted revenue measure that excludes Metro Vancouver levies, collected by the City for participation in regional service delivery and associated borrowing obligations.

Interpretation

Because regional infrastructure is delivered and financed in part through Metro Vancouver, excluding these levies may understate the City’s effective debt service burden. The adjusted debt service ratio therefore provides a more complete and representative view of affordability. Within this context, a higher adjusted debt service ratio (e.g., in the range of ~12–15%) can be considered appropriate, reflecting the broader service delivery model rather than increased financial risk.



Source: Borrowing projections based on indicative forecasts provided by the City of Vancouver.



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